

VZCZCXRO6330  
OO RUEHROV  
DE RUEHTV #1758/01 1661012  
ZNY CCCCC ZZH  
O 151012Z JUN 07  
FM AMEMBASSY TEL AVIV  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1677  
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 001758

SIPDIS

SIPDIS

NSC WASHINGTON DC, NEA FOR FRONT OFFICE; NEA/IPA FOR  
WILLIAMS/SHAMPAIN/ROSENSTOCK/MAHER; NSC FOR  
ABRAMS/SINGH/WATERS

E.O. 12958: DECL: 06/15/2017  
TAGS: [PREL](#) [PGOV](#) [KWBG](#) [IS](#)  
SUBJECT: SETTLEMENTS BACK ON GOI AGENDA?

REF: A: TEL AVIV 4474

Classified By: Ambassador Richard H. Jones for reasons 1.4 (b) and (d)

11. (C) Summary: On June 12, MK Otniel Schneller briefed the Ambassador on his plan to separate the Israeli and Palestinian populations in the West Bank until the political climate warranted final status negotiations. Schneller's plan envisions creating an interim Palestinian state on 65 percent of the West Bank and the Gaza Strip. Israel would retain 13 percent of the West Bank, and the Jordan Valley -- or 22 percent of the West Bank -- would remain in Israel's control while serving as a basis for trilateral economic cooperation between Israel, the Palestinians, and Jordan until it could become part of a future Palestinian state. Schneller noted that it is in Israel's best interest to see the establishment of a Palestinian state, however, the lack of short-term solutions in addressing the issues of refugees, Jerusalem, or borders will prevent its immediate creation. ECF (Economic Cooperation Foundation) Director General Ya'ir Hirschfeld, who also attended the Ambassador's meeting, told EconCouns on July 14 that Schneller has been empowered by Prime Minister Olmert to investigate how to address the issue of settlements and outposts and to recommend a structure for implementation. Hirschfeld said that although Schneller is not authorized to broker any deals on behalf of the GOI, Schneller's intention was to illustrate to the Ambassador what the West Bank could resemble if outlying settlements and outposts were withdrawn. Hirschfeld hoped that the Ambassador's meeting with Schneller would serve as a basis to restart discussions between the GOI and the U.S. on delineating settlement boundaries and evacuating outposts. He also noted that his information indicated that Olmert, recently-elected Labor Party Leader Ehud Barak, and Labor's Ami Ayalon were also seeking to establish an overall framework to tackle this issue. In subsequent discussions, Hirschfeld told EconCouns that Schneller had talked to the Prime Minister's Office (PMO) of the possibility of raising this issue during Olmert's upcoming Washington meetings. The PMO's position was that the GOI did not want to raise the issue because of its previous inaction. However, Schneller was told that if the U.S. side was interested in raising this issue during the Washington meetings, they would want the U.S. to discuss this beforehand with Shalom Tourgeman. End summary.

-----  
Schneller: Testing the Waters  
-----

12. (C) MK Schneller told the Ambassador on June 12 that his plan is not a final status solution or a peace plan. He asserted that if peace is the only target, "nothing will happen" (i.e. there needs to be practical intermediate

steps). He noted that the situation in the West Bank is still the same 14 years after Oslo. His plan to separate the Israeli and Palestinian populations in the West Bank would create an opportunity to build better relations and trust between the groups without a formal agreement.

13. (C) Schneller's plan foresees the creation of a temporary, contiguous Palestinian state on 65 percent of the West Bank and the Gaza Strip in which there are no settlements. Israel, in turn, would retain 13 percent of the West Bank, and the Jordan Valley -- or 22 percent of the West Bank -- would remain under temporary Israel control while serving as a basis for trilateral economic cooperation between Israel, the Palestinians, and Jordan until it becomes part of the future Palestinian state. For Schneller, winning support from the settler community is crucial for his plan's success. He believes the key to persuading settlers to peacefully evacuate outlying settlements is U.S. support for Israel to retain and continue settlement expansion in 13 percent of the West Bank (i.e., roughly the major settlement blocs). He asserted that if given U.S. assurances, 70 percent of the settler population would support voluntary evacuation of outlying West Bank areas. In response to the question of U.S. assurances, the Ambassador noted that Israel still needed to implement existing commitments to the U.S. on evacuating outposts and limiting settlement growth.

14. (C) Although Schneller emphasized that these ideas were his own, ECF (Economic Cooperation Foundation) Director General Ya'ir Hirschfeld, who also attended the Ambassador's meeting at Schneller's request, told EconCouns on July 14 that Schneller has been empowered by Prime Minister Olmert to investigate the possibilities of how to address the issue of settlements and outposts. Hirschfeld said that although

TEL AVIV 00001758 002 OF 002

Schneller is not authorized to broker any deals on behalf of the GOI, Schneller's intention was to illustrate to the Ambassador what the West Bank could resemble if outlying settlements and outposts were withdrawn. (Note: Schneller and Hirschfeld are an odd couple; however, in 2005, the two co-authored a book called Bridge of Paper, which offered a series of proposals seeking to unite the Israeli right and left around unilateral withdrawal from occupied territory. Peace, they agreed, wasn't an end in itself but a means to ensuring Israel's Jewish majority and Jewish identity. To achieve this end, Schneller reportedly conceded that Israel would need to withdraw from much of the West Bank. End note.)

-----  
Track 1, Not Track 2 Negotiations  
-----

15. (C) Hirschfeld told EconCouns that he hoped that the Ambassador's meeting with Schneller would serve as a basis to restart official discussions on settlements and outposts, which was previously led by the Ambassador with Brig. Gen (res.) Spiegel when he was at the MOD. In Hirschfeld's view, embassy meetings with the GOI and the MOD -- coupled with ECF's links to the MOD and Ehud Barak, who is expected to assume the position of Defense Minister later this month -- could revive U.S.-GOI discussions on defining settlement boundaries and evacuating outposts, which had stalled in 2004. EconCouns also urged ECF to advise Barak to consider appointing a replacement for Spiegel, who would serve to work this settlements and outposts issue at the MOD. Currently, there is no one on the MOD staff in this position.

16. (C) Hirschfeld also told EconCouns that according to Schneller, Olmert and Barak separately discussed with Schneller their intention in addressing this issue. Separate to Schneller, Hirschfeld's other contacts tell him that Ami Ayalon, who was defeated Barak in the Labor Party leadership primaries, is also planning to raise settlements with Barak as an issue of concern when they will enter talks about creating a political alliance.

-----  
Comment:  
-----

¶7. (C) Olmert's endorsement of Schneller's activities indicates that there may be willingness to resume our talks on settlements and outposts under the Rice-Weissglas letters when Barak takes over as Defense Minister. We recommend consideration be given to whether Olmert's visit in Washington can be used to explore this option. End comment.

\*\*\*\*\*  
Visit Embassy Tel Aviv's Classified Website:  
<http://www.state.sgov.gov/p/nea/telaviv>

You can also access this site through the State Department's  
Classified SIPRNET website.

\*\*\*\*\*  
JONES